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Net Income for SNFs Falls to 50 Cents Per Day, But Occupancy Looking Up

By **Lyndee Yamshon** | March 4, 2020

Between 2014 and 2018, the average net income for nursing homes dipped to 50 cents per patient day, down from $4 at the start of that timeframe — but still up from a loss of four cents per day in 2017, according to a new analysis.

Specific statistics fluctuate according to region, with some geographies experiencing better averages — such as the Rocky Mountains reaching 6.39% per-day net income, but overall, the data points to a downward trend in those four years pre-Patient-Driven Payment Model (PDPM), accounting and advisory company Marcum LLP reported Wednesday.

"The cost of providing care continues to outpace reimbursement, and the impact on the bottom line continues to head in the wrong direction," Marcum noted in its report.

But there's some good news on the way, Marcum principal Matthew Bavolack told SNN, pointing to positive changes since the implementation of PDPM that aren't reflected in the 2018 data.

"I do see changes in occupancy rates starting to increase. I also see changes in the way that providers are having to adjust to lower census and to deal with changes in PDPM that I believe, don't reflect in the 2018 numbers, but I believe are the building blocks for the future to better solidify the foundation of the industry," he said, adding that he's recently finished the first season of cost reports and noted a 3% to 5% increase in occupancy in the nursing home industry.

Increased Medicare revenue

Medicare revenue per patient day has risen at a steady clip, from $470.52 in 2014 to $515.26 in 2018. From 2017 to 2018, the increase was even higher — from $500.41 to $515.26.

Increased Medicare revenue is likely due to providers taking in more complex patients, Bavolack said, and suggested that the reduced net operating incomes seen in the report can be attributed to shorter lengths of stay.

"That means that providers are probably handling sicker patients, which cost more money to handle — and hence, the downside is, it costs more money, and it impacts the bottom line," he said.

In highlighting damage to the bottom line during this time period, the study showed that proportion of Medicare dollars to total revenue continued to steadily drop from 18.64% in 2014 to 16.59% in 2018.

Reduction in therapy and shorter stays

Therapists saw reduction in salaries per patient day from $16.84 in 2017 to $16.30 per patient day in 2018, but payment rates are region-specific: In 2018, for example, the highest-cost region was the Pacific at $22.33 per day, and the lowest was the Northeast at $13.08 per day.

Marcum also found a small decrease in therapy minutes in this time period before PDPM, with total staff hours per patient day declining on a national basis from 0.46 hours per patient day in 2017 to 0.44 hours in 2018, which is indicated in the report as only a slight change.

On a regional basis, however, the Midwest, Northeast, and Pacific areas all declined in therapy minutes while the Rocky Mountains, Southeast, and Southwest areas all experienced an increase.

Generally, minutes are being reduced nationally due to shorter stays and fewer patients, Bavolack said.

“If the Medicare utilization declined, you’re not going to have as much need because most of the therapies provided are for Medicare-related residents,” Bavolack said

Bavolack touted the advent of PDPM, which he believes will push many providers “to really micromanage and figure out how they really need to manage things a lot better. And I think they’re going to be positioned a lot stronger going forward. So I do see a light at the end of the tunnel,” he said.

He also added that a cost report is not a financial statement and merely is a report of expenditures over a time period.

“We’re already seeing an upward trend in occupancy and the beginning of the first and second quarter of this year,” Bavolack said. ”And as the population continues to age, that will help the NOIs. And I think in the next year or two, you’re going to start really seeing a turnaround for the industry.”